



HEALTHBREAK

DECEMBER 2021

2 Methods for a Healthy Budget

A budget is one of the simplest ways to take control of your finances. Here are two common budget methods that can help you reach your goals:

The 50/30/20 Method

This method can help you allocate where your money is going. Here's how it works:

Fifty percent of your income is for the *necessities* in life: transportation, utilities, housing, and food. For example, if you make \$2,500 a month, half of that (\$1,500) should be spent on the essentials.

Thirty percent of your income goes to *personal expenses*: gym memberships, monthly subscriptions, or dining out. So, if you make \$2,500 a month, no more than \$750 should be spent on these.

Twenty percent goes to *savings*. Anything can happen in life at any given moment – that's why it's important to have some money set aside. This method puts 20% of your income into a savings account. If you make \$2,500 a month, \$500 should ideally go to savings.

The Envelope System

Studies show that physically separating cash into categories reduces spending by activating our emotional attachment to money. The Envelope System allows you to physically see how much money you have. It divides your expenses and savings into physical or digital envelopes.

For example, if you bring home \$3,000 each month, you might have envelopes for:

Rent, utilities, and transportation: \$1,500

Groceries: \$400

Personal care: \$150

Entertainment: \$100

Restaurants: \$100

Savings and debt: \$600

Miscellaneous expenses: \$150

Once you've spent all the money in an envelope, you'll have to wait until it's full again to spend more on that category.



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